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DON PPBS Cycle Analysis

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Authors

This presentation was prepared by:

Garth DeVries, Consultant
BearingPoint
2011 Crystal Drive
Suite 312
Arlington, VA 22202
Tel: +1.703.271.2808
Fax: +1.703.769.5480
E-mail: gpdevries@bearingpoint.net

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DON PPBS Cycle Analysis

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Purpose:

To examine changes to POM/Budget data throughout the PPBS cycle in order to compare the level of effort expended in POM/Budget development to the relative change in POM/Budget positions

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Assumptions

Analysis focused on 2004 POM PPBS cycle

2 data points examined

- Presidential Budget – PBO3 (Jan 02)
- DON Budget Estimate Submission/POM – OSD04 (Aug 02)

New and dropped Line Items (LIs), those whose PB03 or OSD04 dollar value was $0, were excluded from analysis

All Manpower LIs were consolidated into one MPN LI and one MPMC LI

Analysis was based upon dollar amounts totaled across the FYDP (FY04-FY09)

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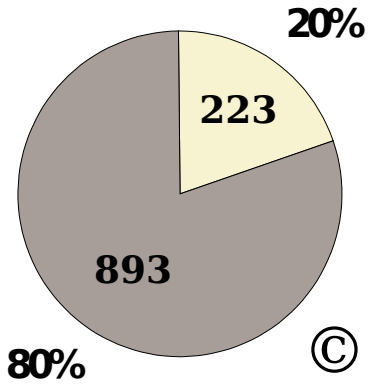
PB03 Data

1941 LIs in PB03 Budget totaling $780B

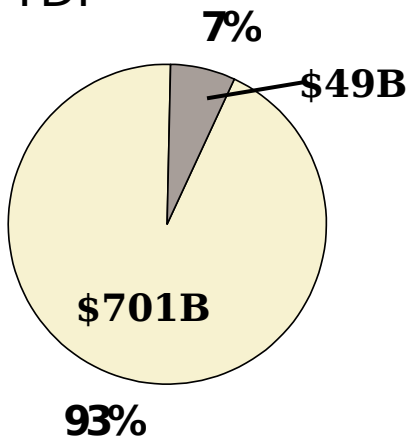
- During PB03-OSD04 Process:
  - 609 New LIs Created
  - 216 LIs Dropped

Leaving 1116 LIs totaling $750B

- 20% of LIs (223) comprise 93% ($701B) of FYDP
- 80% of LIs (893) comprise 7% ($49B) of FYDP



Line Items



FYDP $

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Top 20% (223) of LIs

223 LIs totaling $701B account for 93% of the PB03 FYDP

- Relatively small number of LIs account for a large portion of FYDP $
- Smallest LI PB03 dollar value = $318 Million
- Average absolute change PB03 to OSD04 = $435 Million per LI

Effort spent manipulating the ***top 20%*** of LIs has the ***greatest impact*** on POM/Budget development

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Bottom 80% (893) of LIs

893 LIs totaling $49B account for 7% of the PB03 FYDP

- Large number of LIs account for relatively small portion of FYDP $
- Smallest LI PB03 dollar value = $ .001 Million ($1K)
- Average absolute change = $27 Million per LI

Effort spent manipulating the ***bottom 80%*** of LIs has an almost ***insignificant impact*** on POM/Budget development

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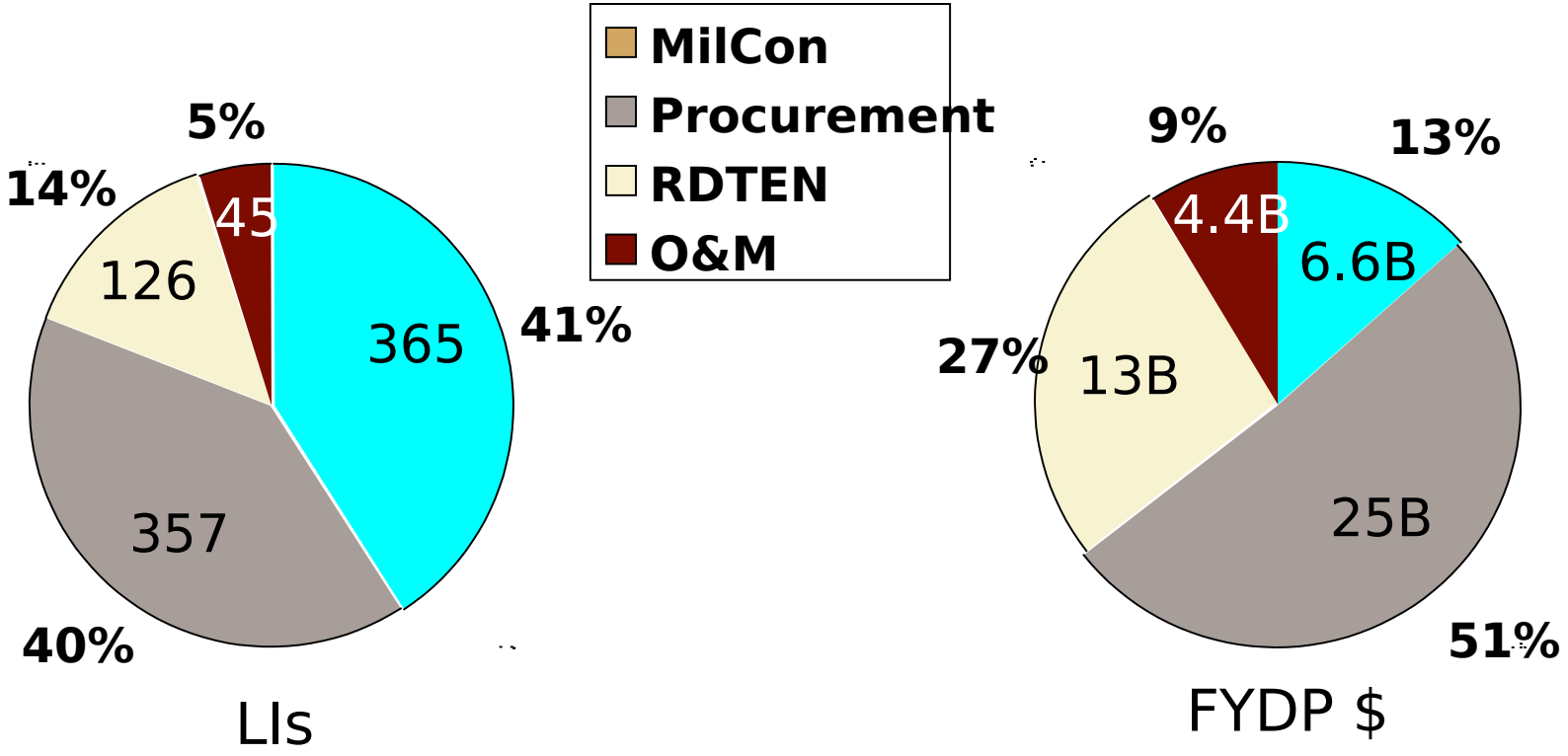
Bottom 80% of LIs by APPN Category



Majority (81%) of small LIs are in MilCon and Procurement

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Bottom 80% of LIs from PB03 to OSD04

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Of the 893 LIs from PB03-OSD04:

- Average net change = $2.9 Million per LI (across FYDP)
- 582 LIs (65%) changed by less than $10 Million (across FYDP)
  - $10 Million equates to 0.001% of PB03
  - Change of $10 Million spread over FYDP = $1.7 M per year

Numerous small dollar value changes are being made to LIs during the PB03-OSD04 POM/Budget process

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Bottom 80% of LIs Amount Change from PB03-OSD04

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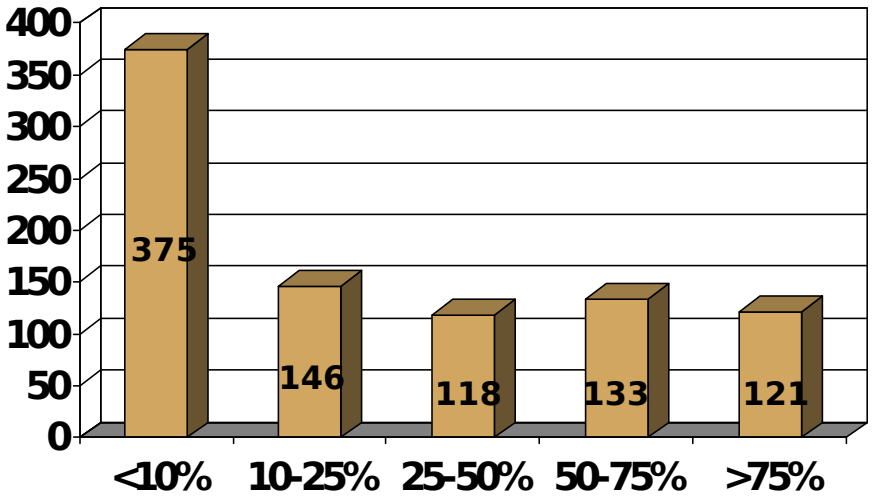
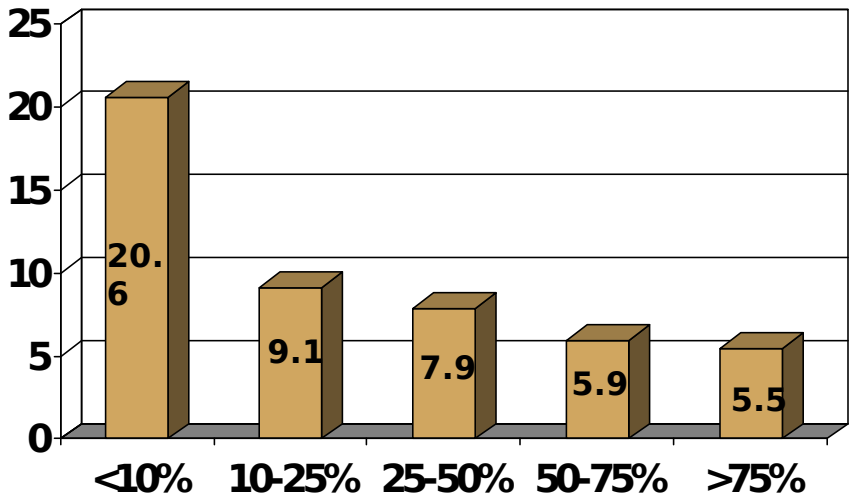
LIs by % Change



LI $ Value (PB03)



eg…375 LIs change by <10% and the sum of the PB03 FYDP total dollar value for these changes is $20.6 B

Numerous small percentage changes are being made to LIs during the PB03-OSD04 POM/Budget process

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Bottom 80% of LIs Average Change from PB03-OSD04

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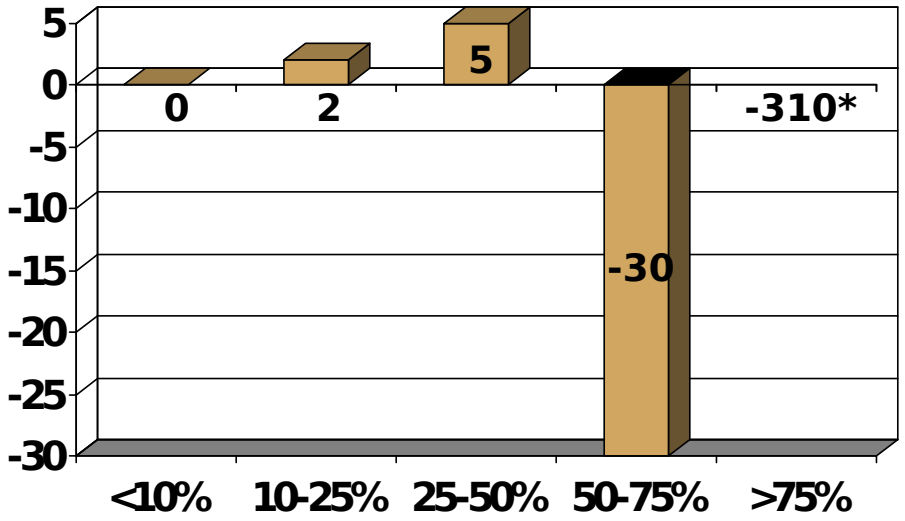
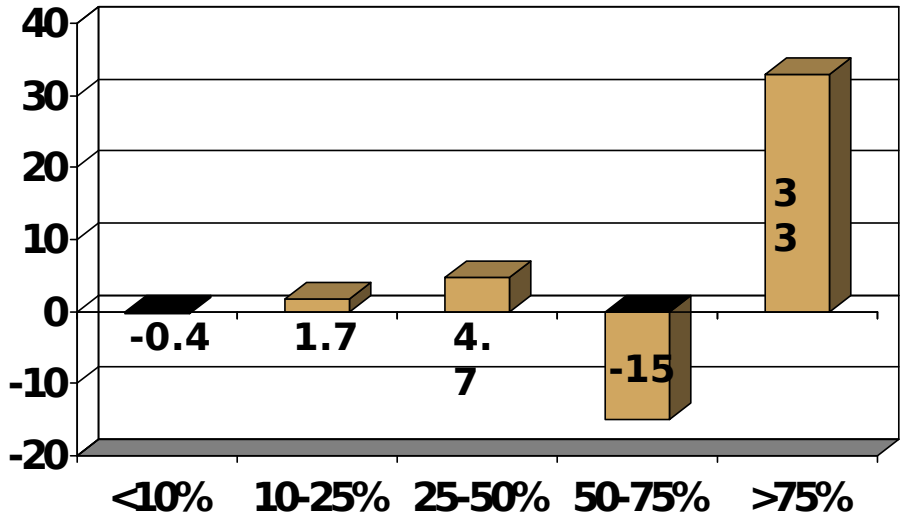
Average % Change per LI



* Note: 1 LI dropped by 85898% and therefore the >75% category average % change is erroneous.

Average $ Change (M) per LI



Insignificant % and dollar value changes are being made during the PB03-OSD04 POM/Budget Process

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Commercial Industry Budgeting

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General Electric CEO Jack Welch noted:

"Making small calls... is the easiest job in the world because I've got a big company. 'Small' means investments of a hundred million, fifty million, thirty million, seventy million. Making two-billion-dollar swings or five-billion-dollar swings or four-billion-dollar swings... where you change the game [is a huge challenge]. Where you risk the image of the company. Where you can tip it upside down."

- GE is a $125 Billion dollar company (annual revenue) whose budget is comparable in size to the DON budget. Extrapolating a "small call" threshold of $70 Million across the FYDP (6 yrs) equates to $420 Million. Only 187 (16%) out of 1116 LIs have a FYDP dollar value above $420 Million.
- 187 LIs is comparable to the top 20% (223) utilized in this analysis

Note: Quote cited from "Changing PPBS"; Phase 2 Final Report, Business Executives for National Security (BENS).

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OPNAV Manpower Impact

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How much effort (work) is spent manipulating the 893 (80%) LIs which amount to a small portion of the overall budget?

- In a recent DNS ZBR study, the OPNAV staff (1917 FTEs) reported that they spent 32% of their time “Allocating Resources”
- 32% of 1917 FTEs equates to 613 FTEs “Allocating Resources”
- There are 1941 LIs in PB03 submission, 893 (46%) of which have an almost insignificant impact. Assuming the OPNAV FTEs spend an equal amount of time on each LI, 46% (or 282 FTEs) work on LIs which have little or no effect on the overall budget submission.
- This does not consider 2nd and 3rd order FTE requirements at Echelon II commands

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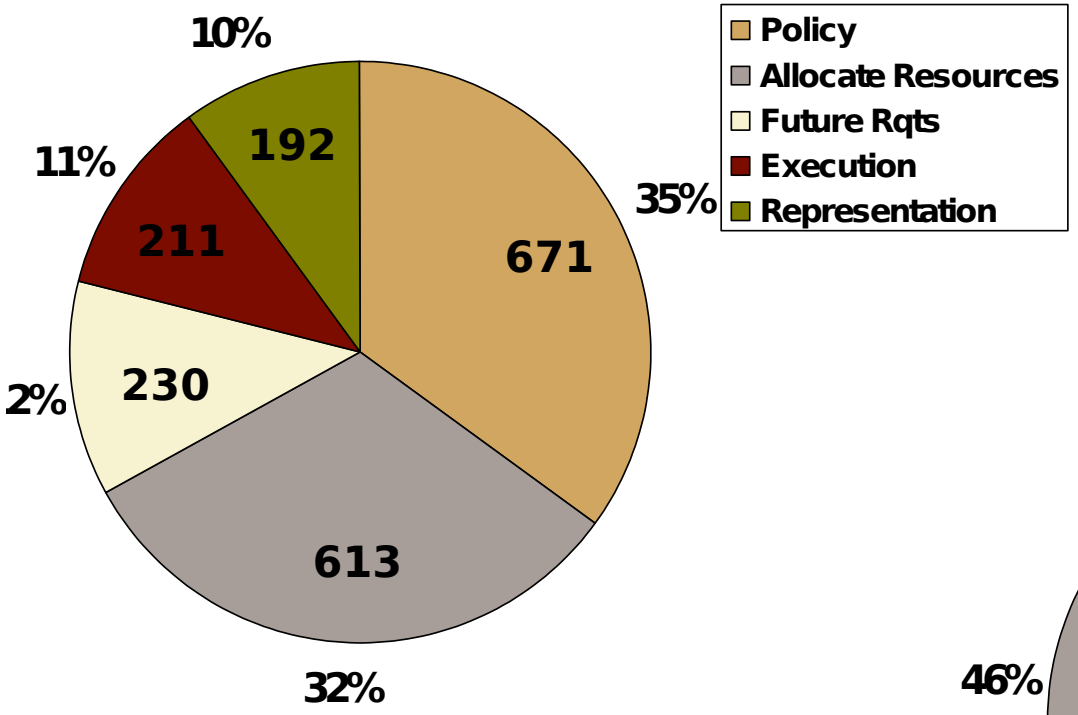
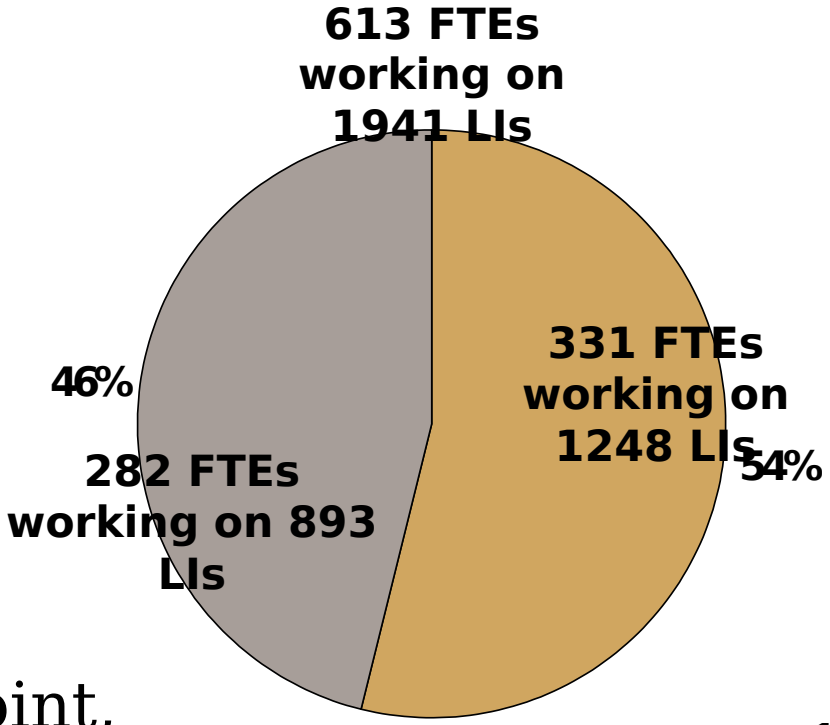
OPNAV Manpower Impact



OPNAV Staff Work Distribution (FTEs)



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Conclusions

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Analysis of FY02 PPBS data revealed:

- The majority of line items accounted for a relatively small portion of FYDP $
- The amount of change made to the majority of Line Items during the POM/Budget build was insignificant
- There is a substantial amount of OPNAV resources consumed in POM/Budget development

There are potential savings by focusing POM/Budget process on the top 20% of line items

- Establish POM/Budget "core" consisting of bottom 80% of line items – these LIs remain unchanged during PPBS process
- Periodic review of "core" during POM years only
- Reduce OPNAV Staff needed to support PPBS

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